

PRESENTATION

Minttu Vilander

Hi, welcome to Sitowise's half year report presentation. My name is Minttu Vilander, and I'm the Head of Communications and Sustainability here at Sitowise. I'm here at the studio with our group CEO, Pekka Eloholma, and with our CFO, Heidi Karlsson, and they will shortly start the presentation.

But first, a couple of things about asking the questions. So, you are allowed to ask questions after the presentation. You can do it in two different ways. First, you can ask questions via the webcast; there is a chat box where you can ask your question and we kindly ask you to also provide your whole name when asking the question. The other way is, if you want to ask the question in person, you can also call to our conference call. The numbers are in the release and there are also instructions how to ask your questions after you have dialled in.

So, no further delays now. You can start the presentation, Pekka.

Pekka Eloholma

Thank you, Minttu.

We are really glad to be able to report a strong quarter two and what especially comes to our profitability, and then you can see that the order book at the end of the Q2 was on the record high level.

And let's then look what we are going to present here with Heidi to you. Here is the agenda.

We're starting with the key takeaways and then Heidi will present the funds review. Then we're going to some business area highlights and developments there in the business side. Shortly, the market outlook and then our vision and long-term financial targets, as well as the strategy going forward. And after that, then we are entering to the Q&A session. So, let's go for it.

As I said, we had a strong performance in Q2. And first, let's talk a little bit about the order backlog. Our order book really increased by 22% compared to what we had six months ago at end of the last year. And that is really the result of two major things here. First, the market clearly is picking up. We could see that. There's strong activity on the market almost everywhere.

And then the second reason for this order or high order book is really our activity in the sales work. That was a really big focus for us during Q2, already started during Q1.

Secondly, our net sales increased by 8%, which is a good figure. Having said that, that is coming from our acquisitions what we have made during the last 12 months. There



was a negative organic growth, but we have to really take into account here that the comparison, that is the quarter 2 last year was an exceptional quarter and that is due to the fact that the Covid came, and the first thing was that the customers, they were putting every new project on hold. There was no sales, no purchase. No sales from our side needed because there was no intention from the customers to purchase anything and that meant that all our specialist were really focusing on executing the delivery side, the projects which we had in our order backlog, order book. And then the other case was that all the vacations, actually, were postponed due to the restrictions from the Covid side. So, there were exceptional high amount of working hours and then also the utilisation rate was exceptionally high last year. So that is the reason.

Then the utilisation rate during the Q2. That improved clearly from quarter one as we expected, and we actually mentioned that in our quarter one report. In quarter one, there was still some more uncertainty on the marketplace and especially we actually, we had the listing process going on and we have a lot of personal gatherings during the quarter one and that is now over. And now we really could focus more on the execution of our project. So, clearly improvement from 75 to 78% was a big thing. And that is now more or less on the expected and the normal high level.

And then what comes to our profitability due to these things, especially the utilisation rate and the good order backlog, we could report clear improvement in our profitability adjusted EBITA margin 12.7% is a strong performance and a clear improvement from the quarter one where we then reported 11%.

And when we are going forward here also really, we are glad to present here the case that we have really focused on our Swedish business and our operations there, and the big thing is that we appointed Jonas Larsson as a Head of our Swedish Operations. He will start at the latest in January and he will take care of the leading our Swedish operations forward, and we really have high targets for that. And Jonas is really an experienced leader, manager. In our industry he has over 20 years' experience of various managerial positions. He is coming from AFRY, and we can say that he is really a result-oriented people leader with a strong customer focus, and we are really glad that he will join us, and also he will add join our group management team in Sitowise.

Then also we made really a remarkable acquisition what comes to our Swedish business and what comes also to our digital services solutions, we acquired Infracontrol, Swedish company, and I will come later into a little bit more detail into that later on. But that was also our first step to the digital solution market in Sweden.

And now I will give over to Heidi, and Heidi will present to you our financial numbers.

Heidi Karlsson

So, our financial performance in Q2 was good and it was according to our expectations. In addition to the all-time high order book, we demonstrated top-line growth and a strong profitability. Our net sales increased, both year-on-year as well as quarter-on-quarter, 8% and was 47 million in Q2. Our EBITA margin, as Pekka said, grew from the Q1 from the 11 percentage point to 12.7 percentage.



In addition, I would like to point out that currently we are close to 2000 people in Sitowise and it means that our personnel has grown close to 100 during the first half of this year.

Here, the growth in Q1 was mainly from acquisitions, but in Q2, the growth was mainly organic.

In Q2, our financial position, our liquidity remained strong. In Q1, with the IPO and the related refinancing, we strengthened our balance sheet. Our equity ratio improved, our leverage decreased. And the development has continued in Q2.

So next, I would like to take a closer look at the order book, as well as net sales and profitability.

Our order book, 140 million at the end of June. It means that it has grown 20% compared to last year, or 22% from the beginning of this year. And as can be seen from the graphs, last year, the trend was that we had a declining order book. This year, the trend is the contrary. And this is a clear sign of the activity that started to take place, the stronger activity in the market end of last year, as well less the strong sales work done by our whole personnel. We are also pleased that our order book is increasing throughout all our business areas.

Our net sales, we had the growth of 8%, as I said, both year-on-year as well as quarter-on-quarter. Here, also there is a big difference compared to last year, the 8% growth came mainly from acquisitions. The growth compared to Q1 is coming mainly organic, it's an organic growth. And it's also worthwhile noting that the sales of 47 million in the quarter is the record for Sitowise.

When we look at our profitability, we can see, as in the order book, a positive trend. Our margin of 12.7 is a sector-leading margin among our listed peers. As pointed out in the May webcast, last year, our quarterly, not only the profitability also the net sales, were clearly impacted by Covid. And therefore, last year was exceptional. It was unusual. Historically, when we look in the longer perspective, normally, the H2 has shown stronger profitability than in the first half.

So let's move on to take a closer look at our business areas. We provide sustainable, or we design sustainable and modern living environments with a wide range of services. We have organised ourselves into four business areas. When we look, this chart is showing the share of each business areas share of the groups whole net sales. This chart didn't look a lot different in the first quarter, but if we look back one year, if we look back two years, the share of the net sales was totally different. For example, Sweden, last year, was only a little bit above 10%, it's now close to 20%. Also, digital solution now 10%. This is a clear sign. It's a result of that we have been able to implement, actively and with determination, the growth strategy set forth in 2017 and 2018.

And my last slide is then where we are showing a little bit more in detail the development of our business areas during the last quarters.



So, the growth of 8% compared to last year was mainly driven by our digital solutions and Sweden. In these business areas, the growth accelerated even further from the Q1 growth. In buildings and infrastructure, we have a very positive trend from the Q1, and it is really fair to state that we have four really well-performing and strong business areas.

And lastly, I would just like to underline that during the first half of this year, our business has developed and progressed very well, and it has been according to our plans.

And next, Pekka will tell more about the business.

Pekka Eloholma

Yeah, we are going now into it a little bit more detail into our businesses. Here are the four business areas where we are focusing, and let's start from the left. The buildings.

Really, the big thing during the Q2 in the whole building side was that the market is clearly picking up. Customers are more active and these projects which were postponed or put on hold, they have now started. And looks in that sense quite positive, and especially we can see that on the residential new constructions or new constructions on the residential side as well as the service buildings on the public side, that is now picking up.

And also, really a big thing for us was that we put a lot of energy into recruiting new specialists into our building segment and we were really successful there. And as you can see, we were able to recruit 70 new employees during the Q2.

Then about the infrastructure. Market is solid. Projects are proceeding. We had a solid performance, strong performance also there with a good utilisation rate. And what we are really proud of is that we have had right actions and the what comes to the keeping our specialists in Sitowise here and in Infra, we can see from our reports that the turnover in our specialists employee turnover has decreased now about one year and that this is looking good and is really a remarkable thing.

Digital solutions, as Heidi showed already, we had a nice growth there coming from the organic part and also from the acquisitions. And then as I told already, we made a remarkable, really important acquisition, Infracontrol on the Swedish side. Start for our digital solutions on the Swedish market place. And then we got the really large deal from Landis + Gyr and we are providing their products and energy management system. So we are providing and developing digital solutions.

And then Sweden. Order book is steady. And we can also see that in Sweden, where we are active, the market is picking up, there are more enquiries from our customers. And also we are glad to report now that the utilisation rate compared to the start of the year, I mean Q1, has clearly improved also in Sweden.

And then, as I said earlier, we are really glad to present here the news that Jonas Larsson is appointed Head of our Swedish Operations and will now take care of our proceedings there.



And then, as said, we have got new orders and one of the orders which we would like to tell here is an example of that we are a leading designer for the frame and precast elements and buildings there in Sweden. And we got a nice new order there in Borås.

One project highlight we would like to pick up here is in Finland and that is in that sense really a remarkable project that is really showing that when we are combining our forces, competencies from the Infra consulting segment and the building consulting segment, then we really can offer value and really convince the customers that we can take care of the of the large projects. And here is a €2 million project and as you can see, the customer here is the Finnish Transport Infrastructure Agency, city of Tampere, and then the Finnish railways. We are a group. And that is the underpass and renovation of the- underpass of Itsenäisyydenkatu bridge, and also the renovation of the station tunnel. And this is really remarkable also, in that sense and a challenging project that this is one of the busiest urban centres and intersections of different traffic modes in in Finland. And we are really proud that we got this project.

We have two acquisitions here that we have now closed. The first is Enco, that is the Finnish company with 1 million a year of revenue and 10 specialists. And their specialty is expert services in the property management and maintenance areas, and they have really a good customer base. And we closed this acquisition in June in quarter two.

And then the other acquisition we would like to pick up here, as I have mentioned already earlier, is Infracontrol. We prepared the whole thing during the quarter two, but that was then closed in July. But nevertheless, it's really remarkable for us. Almost 30 specialists. Last year revenue €6 million. Really a good customer base. A lot of important Swedish municipalities as well as the transport and infrastructure authorities. And this company is really a leading company there when it comes to the monitoring and control the road traffic in Sweden, in tunnels and bridges, and in all roads. It's really a good start for our digital solutions area in Sweden.

Then something about our how we have go forward in our sustainability processes and personnel. Let's start with from the sustainability. As we have presented already earlier, sustainability is really a high focus in our operations, and to really make it concrete is that we are really going to our project base. And now we have launched this tool that was end of last year, start of this year, and that means that it is in our VOIMA platform and when we start a project in Sitowise customer project, then this is the tool where the sustainability targets are specified, discussed with the customer, and then specified, and then we can follow with the customer how we are fulfilling these specified targets or set targets for that specific project. And during quarter two, we can already say that 20% now of all our project work is inside of that that tool, or that tool is covering 20% of our projects and we are now pushing that forward. Target is then to go near the 100%.

Then what comes to our processes in the middle, that is the Voima Core. We have started to implement the new ERP system for Sitowise, and the first phase was actually taking into use, implemented during quarter 2 and that was the general ledger, and



also the workflow for the invoices. And now we are moving on to the next phase what is now under development will be then the project side as well as CRN.

And then about our personnel. We made a personnel survey during the quarter two. And we are really glad to look at the results and especially glad that maybe the most important one is the employee net promoter score and that actually got higher, clearly higher than it was last year by 12%. And that is when we are really a leading consulting company in our areas. This is a highly important topic.

Then we are moving to the market outlook. In the long term, there are clear drivers in our market and these drivers, as you can see here, are the urbanisation, renovation backlog, digitalisations, and sustainability. They are getting stronger and stronger, and these market drivers are really pushing the market forward and the market is, in the long run, clearly increasing, getting higher.

In the short term, there's still some uncertainty on the marketplace and that is really partly due to the increased costs of raw materials what we need in the construction industry. And mainly that goes for the sawmill products and steel. And that will have some, or is already having, some impact of for the construction industry and can have also some impact for our activities. Let's see, but that is the, let's say, now we are moving, let's say, recovering from the Covid, or the market is recovering from Covid, but now we have this year and that can have some impacts. Let's see. We are not that clear with that, but that is what we can see.

But the long run, as I said earlier, looks really good and basically quite stable also on the short run, let's say. And what we can see here, as we reported earlier, we can see also that our order backlog, order book, has grown now clearly.

I will finally say, our targets, we have long-term targets which are familiar to you. The growth it's is over 10%, the annual net sales growth. Then the profitability, we have set a target on the long run; the target is to have the adjusted EBITA margin of at least 12%. And then the leverage net debt to adjusted EBITDA should not exceed at 2.5. And then what comes to the dividends; our target is to distribute from 30 to 50% dividend from our net profit. And then what comes to our guidance for this year, we have not given, and we are not giving any guidance for this year, and that is due to the some uncertainties still on the marketplace. But as said already before by me and Heidi is that the performance now is on the, let's say, strong level and that is expected and also, we expect that that should continue.

Then the way to go forward. First, our vision here that we really target is to be the most responsible partner in developing the prosperous living environment. And that is giving the focus and also the target for our daily work, and also the business development and the way to go forward.

And the strategy how we're going forward. Here are the five steps, the most important one is the step number one, and that is to take care and develop and keeping the current operations as efficient as possible. And that means taking care of the organic growth as well as the strong profitability. And as Heidi already mentioned, for example,



in quarter two that was sector-leading profitability when we compare that to our listed peers. And that is the way we have to take care of that day by day to stay there. And I wanted to just say that is the most important one.

Then step number 5, that is then continue our path route there with the selected acquisitions. And then we are using this number five step in a two, three and four steps and the step number two is to use these selected acquisitions in our infra consulting area as well as our building construct, building consulting area, and there the question is that we are looking that kind of new competencies, new market areas or customer segments where we are not that active or not that deep for the time being. And then it's time to make that kind of acquisitions that we have a lot of examples of this and especially we had some during the quarter one this year.

Then the step number three is the digital solutions. We really have a fresh approach where we can combine the competencies from our building, and infrastructure design and consulting, the deep knowhow with the latest ways and skills to develop the software. And that is our digital solutions, and we feel that we have a good track already there, but the potential is looking really nice and also use the selected acquisitions here as we did already with the Infracontrol, which I mentioned earlier.

And then expanding in Sweden. Our target in Sweden is to build similar operations what we have in Finland. So the really a comprehensive set of disciplines what comes to the infra and the building expert services and consulting services there and that means that, added to the nice organic growth, we really are going goal-oriented with our acquisitions there.

So, this is how we are going forward, and actually that is ending up our presentation from our Q2 performance. And now it's time then to call for the Q&A.

Q&A

Operator

Thank you. If you would like to ask a question, please press 01 on your telephone keypad. If you wish to withdraw your question, you may do so by pressing 02 to cancel. That's 01 if you would like to ask a question.

Our first question is from Matias Rautionmaa from Danske Bank. Please go ahead.

Matias Rautionmaa

Thank you for your presentation. Matias Rautionmaa from Danske.

So, I have several questions. First one is about Infracontrol. This acquisition, could you elaborate a little bit more on your longer-term plans with this company? And do you have some kind of cross-selling potential there? And a second part of this question relates more to the short-term issues about the profitability. If I look at the figures of



Infracontrol, it seems that profitability is slower than Sitowise group. Is that true and how do you see it develop going forward?

Pekka Eloholma

Yeah, thanks for the good question.

Sort of, yeah. Well, first the long-term plans with the Infracontrol. That this really, you know what Infracontrol is doing and focusing, that has been quite a long time a target also for us to really enter to that business with our digital solutions. The monitoring, controlling, and developing solutions for the road traffic area, and we are really glad that we could close this deal. And there is a lot of potential to then enlarge and take the full potential out of that, and not only in the Swedish market place, but we can already see that there are a lot of places in Finland where we can use, and our intention is to use that that competence and these solutions what Infracontrol already have or has. Then certainly to develop that further on. So that will be a key puzzle in our digital solutions to going forward. And then what comes to the profitability. Yes, it's slightly below our profitability but we really believe that with the top-line synergies we can quite soon actually scale it up.

Matias Rautionmaa

Okay, good then about this second acquisition, Enco. Can you say something about the profitability of that company?

Pekka Eloholma

That is, we are not announcing any numbers here as we have not made them earlier, but we can say that that is on really a good level.

Matias Rautionmaa

In line with group margins.

Okay. Then, a question about this acquisition, the one you mentioned that you withdrew from, why was it? Why did you decide so?

Pekka Eloholma

Yeah, that was the case that during the really, really comprehensive and deep DD process which really was needed there, it was a large case for us. We saw that risks to be then successful with the integration, they were getting too high and that was actually the reason why we withdraw from that. But this is also we can say that this is also the reason why we have that kind of, a deep DD process, that then if you are then facing this kind of thing then you can really, really then put that aside and continue with the with the other ones.



Matias Rautionmaa

And you have usually done eight acquisitions per year and if I calculate correctly, you have made five so far this year. Could we expect more to come in the latter part of this year?

Pekka Eloholma

Yeah, we are active there and so-called, let's say our radar is screening the market and we have quite a nice, we can say, nice acquisition in the pipeline and there are companies, target companies, in different states of that pipeline. We are working everyday goal-oriented with that and that you can never promise anything here, but let's say that the pipeline is looking quite potential. Let's say so.

Matias Rautionmaa

Okay, okay, great. Then, when I read your report, you highlight there one project win in digital solutions. How big was that project and what kind of business is that?

Pekka Eloholma

Yeah, you know it's, we are providing digital solutions, that means basically software applications to the Landis + Gyr energy management systems, which they are then selling to their end customers. And we are here not allowed to tell more detail what this is but that is, let's say, a project of the reasonable size for our digital solutions. And also what we are then developing there we cannot tell too much here. Sorry.

Matias Rautionmaa

Okay, fair enough. Then about this order book still. You highlighted that the year-on-year order book growth came from every business area. But if we look at this q-on-q growth of 5%, do you see different trends there or is it contributed by all of the business areas?

Pekka Eloholma

It is contributed quite evenly from each business area. In Sweden still, that was stable, we could not see that much increase on Q1 or from Q1 to Q2. It has been stable. But all the other, in all other business areas that has been increasing, and we hope that now when the Swedish market is clearly picking up then we can also do that in Sweden in the near future.

Heidi, do you do you have any other comments on this?



Heidi Karlsson

Actually, it was correct. The answer to the question is that we did have a quarter-on-quarter, we did have a growth in our order book in all of the business areas except for Sweden, where it was remaining on the strong level as it was end of Q1.

Matias Rautionmaa

Okay, thanks.

I remember that previously, you said that there is still some uncertainty on the timing wise when these new projects will be visible in the billings. Do you still see this kind of uncertainty there or are you now more confident that this order book will contribute in increasing in Q3 already?

Pekka Eloholma

We are we are slightly more confident on that. That's for clear. And we feel that the high order book which we have today really gives a good basis for the coming quarters. That's one thing. But what I said is that we can now see some uncertainty there for on-going projects due to the increased costs of steel and the raw mill products. And there's also some shortage of this material and that is more or less the global thing affecting also here in Finland and Sweden. And what is the impact for us? Maybe not that huge, but there may be some impact also for us.

Matias Rautionmaa

Okay. Then the last question, I promise.

This is more like a housekeeping question, though. So, the seasonality has been quite odd this year. Could you elaborate what should we now expect when we go to Q3? Obviously, you are seeing a better top-line, but what was- you had some layoffs, temporary layoffs, last year and what is the effect from those kind of things? How do you elaborate coming H2?

Pekka Eloholma

Yeah, as Heidi said, last year was exceptional where the H1 was better than, when it comes to perfect performance, better than H2. Normally in our business, when we, if we could forget Covid and all the impacts of that, normally the H2 performance is higher than in H1. And we feel that we are now moving to that normal life in that sense, if you understand. But we are not giving any guidance. We had a strong performance in our quarter two and now the order backlog is looking good. Utilisation rate is also on the right spot. We're going with this, but no guidance for this year.

Matias Rautionmaa

Okay, okay, thank you. That was all from my side.



Operator

And just as a reminder, if you do wish to ask the question, please press 01 on your telephone keypad now.

And there are currently no further audio questions. I will hand the word back to the speakers.

Minttu Vilander

Thank you. So, we will now ask some questions from the webcast and first we have questions from Olli Koponen from Inderes. First question is that he asks: "you are saying that market is showing signals of improvement. However, organic growth was minus 5%. Is there any specific reason for this? And relating to this question, are you expecting organic growth to pick up later this year?".

Pekka Eloholma

Yeah. I want to remind what Heidi was telling here, that we know that quarter one last year was really exceptional and we should not compare too much to that. We should more compare what comes to the organic growth, we should now look at what is the growth today. And that is more or less organic growth when we're talking about this quarter-to-quarter, and we had about 8% organic growth compared to quarter one. And that means that now we are growing and we should really forget the quarter two last year.

Heidi Karlsson

Yeah, I think it's a very valid question and we are in the unfortunate situation that we need to, in these official reports, we need to compare with the last year, but as stated several times, the picture it gives is in that sense, is very, a little bit unfair as it was so special. So, our sales growth this year is all coming from organic as well as then, as stated earlier in the presentation, that our personnel growth is coming also lately very strongly from organic growth, which gives the picture. And that we would also this year be able, like in 2020 we were showing a 3% organic growth on annual level is, of course, something that we are, of course, according to our strategy, focusing on organic growth and targeting to have that also not on the negative side.

Minttu Vilander

Thank you. Heidi, you were talking there a little bit about the new personnel and recruitment, so continuing question for that. Do you expect to have, because we have active recruitment, do you expect this to have a short-term impact on our profitability?

Heidi Karlsson

Normally, when you when you recruit people, you need to do some introduction and we know it's an investment in our business, but we are also as we are focusing on the



organic growth, we are also focusing on our utilisation rate i.e., that we are putting emphasis on the fact that all the new people as well would be put into project and customer work.

Minttu Vilander

Thank you. Then Olli Koponen also asked about the material and resources, the prices that are increasing there. Just a small question: "Do you think that there is already an effect on Q2 this year from the material and resources?"

Pekka Eloholma

Good question. You know, it's hard to say. Maybe a slight, but not too much.

Minttu Vilander

Thanks okay and then we have questions from Robin Nyberg. First, we talked already about the M&A pipeline, but one question about that. Do you see increasing competition for the acquisitions?

Pekka Eloholma

Certainly in some extent, yeah. But then when we are coming to our approach, we are, in Finland, when it comes to the infra and the building side, we are looking that kind of special services, special competencies what we don't have that much today. And if we take that area, I would say that the competition has not got harder there.

Then what comes to the digital solutions, that is, it's the IT companies we are looking there. There has always been quite a high competition or no change, but it has been high already. And then when we are moving to the Sweden, yeah, not that much increase either there. We are looking for some special companies and we have been successful, and this Infracontrol is a really good example. It was in Sweden and also digital solutions, and we were able to close that, and we could not see that much competition there.

Minttu Vilander

Thank you. And then we have, at least for now, the last question.

"You have a new leader starting in Sweden. What are your expectations for Jonas Larson and Sweden in a whole?"

Pekka Eloholma

Yeah, let's take- Yeah, he will take care of the leading our way of going forward and also, he is responsible then for managing the operations in Sweden, that is the net sales growth and the high profitability. So it's the daily-to-daily operations and then the



business development certainly adding to the organic growth also. Quite a goal-oriented approach going forward with the acquisitions.

And as said before, our target in Sweden, well, let's start with that today we have roughly a little bit less than 300 specialists working for our operations in Sweden. And running rate revenue on the yearly level is there about thirty million euro or a little bit more. And we are now active in building design, structural design in buildings mainly and then also what comes to the design of the installation technologies and especially to the infra segment. But our target here is to build a similar operation to what we have in Finland. So, comprehensive set of disciplines both on the building side and both on infra side. That means that we are not only then getting a broader offering, but also, we are getting larger and larger or bigger and bigger in Sweden and that is our goal-oriented target, and that is the target for Jonas Larsson.

Minttu Vilander

Okay, thank you. No further questions, so we can end the presentation.

Pekka Eloholma

Yeah. Thanks for you, you served this presentation and you took the time to stay with us here. And as you can see now on the screen then, the Q3 report that we will release on 10th of November. So thank you. Bye bye.

